

Our Mission: To provide a supplemental financial mechanism for the revitalization of Crystal City, Potomac Yard, and Pentagon City streets, transit, and public open spaces

In October 2010, the Arlington County Board established a tax increment financing area in support of the Crystal City Sector Plan and infrastructure that will also support Potomac Yard and Pentagon City.

Crystal City, Potomac Yard, and Pentagon City serve as Arlington's largest commercial office, retail, and hotel district, and include over 13,000 housing units. This area represents 15 percent of the County's total tax base. The commercial building stock in this area is aging, with some of it dating back to the 1960s. Additionally, the continued relocation of government offices due to Base Realignment and Closure Commission (BRAC) and changes in federal government leasing trends has gradually increased vacancy levels in the area (the commercial vacancy rate in Crystal City was 25 percent at the end of the first quarter of 2015).

The Crystal City Sector Plan establishes a vision for supporting the revitalization of this important district, which will enable the area to continue to thrive. The Plan envisions significant public infrastructure improvements in streets, transit, and public open spaces to support construction and reconstruction of office, retail, and residential spaces in Crystal City. The near-term infrastructure improvements include realignment of streets and intersections. Longer term improvements include a second entrance to the Crystal City Metrorail station, enhanced surface transit and open space including a park and an urban plaza. The essential infrastructure needs in the adjacent areas of Potomac Yard and Pentagon City are captured in the Phased Development Site Plans (PDSPs) for these areas.

Tax increment financing (TIF) is a mechanism used to support development and redevelopment by capturing the projected increase in property tax revenues in the area and investing those funds in improvements in that area. Unlike a special district, it is not an additional or new tax; rather, it redirects and segregates the increased property tax revenues that would normally flow to the General Fund so that it can be used for a specified purpose. The amount of the tax increment revenue is determined by setting a baseline assessed value of all property in the area on January 1, 2011 and in each subsequent year, tracking the incremental increase in assessed values relative to the base year, and segregating the incremental value in a separate fund. The Board approved allocating 33 percent of the incremental revenues to the Crystal City, Potomac Yard, and Pentagon City TIF area. The 33 percent has remained in effect through FY 2015. This rate can be revisited as part of the annual budget process and at other key milestones during the infrastructure planning process.

Anticipated unspent TIF funds originally budgeted for the Crystal City Streetcar project are \$1.3 million, including the FY 2016 funding noted in the CIP. Effective with the County Board's decision in mid-November 2014 to cancel the streetcar program, these TIF funds are set aside until a revised plan for transportation is developed. A process for updating existing project plans for the affected corridor is underway. This will inform the upcoming FY 2017 – FY 2026 CIP.

SIGNIFICANT BUDGET CHANGES

The FY 2016 adopted budget for the Crystal City, Potomac Yard, and Pentagon City Tax Increment Financing Area is \$3,096,740, an 11 percent decrease from the FY 2015 adopted budget. The adopted budget reflects:

CRYSTAL CITY, POTOMAC YARD, AND PENTAGON CITY TAX INCREMENT FINANCING AREA

FUND SUMMARY

- ↓ Revenue projections in the tax district decrease due to decreases in real estate assessments in CY 2015 compared to CY 2014.

PROGRAM FINANCIAL SUMMARY

	FY 2014 Actual	FY 2015 Adopted	FY 2016 Adopted	% Change '15 to '16
Capital Projects	\$418,126	\$3,165,891	\$2,815,218	-11%
Interest on Debt	-	-	-	-
Capital Projects Contingency	-	316,589	281,522	-11%
Total Expenditures	418,126	3,482,480	3,096,740	-11%
Total Revenues	3,002,979	3,482,480	3,096,740	-11%
Change in Fund Balance	(2,584,853)	-	-	-
Permanent FTEs	3.0	7.5	7.5	
Temporary FTEs	-	-	-	
Total Authorized FTEs	3.0	7.5	7.5	

There are a total of 22.5 FTEs to support major streets and transit program elements of which 15 FTEs are funded by Transportation Capital Fund and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTEs, 3.0 FTEs were approved at FY 2014 adoption and 4.5 FTEs were approved at FY 2013 closeout.

- The real estate assessment tax base for the TIF for CY 2011 is \$9.7 billion.
- Revenues will be used to supplement state and federal funds, commercial real estate revenue, and bonds.

FY 2016 MAJOR PROJECTS

A significant portion of the TIF funds will be used for the Crystal City Streets program, which is charged with the implementation of the board-adopted Crystal City Sector Plan. The goals of the Streets program are to re-connect the Crystal City street grid, allow for increased accessibility and mobility by all modes, and to create opportunities for new development. This work program also includes a significant amount of utility relocation in support of plan implementation. Specific projects are as follows:

- The South Clark Street Demolition Project will remove the redundant elevated portion of South Clark Street in order to bring the roadway back to the street grade. This will allow for new development parcels to be created that will front on Route 1, furthering the goal in the Sector Plan to activate Route 1.
- This 15th Street Extension project will further the re-connection of the Crystal City street grid by connecting South Clark Street to 15th Street South at the existing South Bell Street approach, creating a standard 4-way intersection. This replaces the existing 14th Road South routing for traffic on South Clark Street. The 15th Street Extension project will also shift the alignment of 15th Street South in order to create a space for the new Garden Park as called out in the Crystal City Sector Plan.
- Route 233 Viaduct Trail Access to National Airport will add a pedestrian connection that is not currently available from the Aurora Highlands Neighborhood and the hotels on Route 1 to National

Airport. It will improve the sidewalk along the viaduct and replace the pedestrian connection to Crystal Drive once the current vehicle ramp to Crystal Drive is removed.

- Phase 4 of the Crystal Drive 2-way project, from 27th Street South to Route 1, will complete the connected street grid to allow better access to businesses and residences as well as improve the traffic flow.

The Army Navy Drive Complete Street project will redesign 3,300 feet of Army Navy Drive from Joyce Street to 12th Street South. The project will provide physically separated two-way protected bicycle lanes, shorter and safer pedestrian crossings, and accommodate a future transitway. Army Navy Drive is a key arterial street linking the Pentagon, I-395, and Pentagon City / Crystal City. It is currently designed primarily to funnel vehicles on and off I-395 and is extremely inhospitable to pedestrians, bicyclists, and transit users. These roadway users include tens of thousands of people commuting to and from the Pentagon on a daily basis. Redesign of Army Navy Drive from Joyce Street to 12th Street South will vastly improve the local connection between the Pentagon and other Department of Defense sites nearby as well as the commercial, residential, and retail services of the Pentagon City and Crystal City areas.

**CRYSTAL CITY, POTOMAC YARD,
AND PENTAGON CITY TAX INCREMENT FINANCING AREA
FUND STATEMENT**

	FY 2014 ACTUAL	FY 2015 ADOPTED	FY 2015 RE-ESTIMATE	FY 2016 ADOPTED
ADJUSTED BALANCE, JULY 1				
Construction Reserve	\$4,243,841	-	\$6,478,694	\$5,997,626
Reserve	-	-	350,000	350,000
TOTAL BALANCE	4,243,841	-	6,828,694	6,347,626
REVENUES				
Tax Increment Area	3,002,979	3,482,480	3,033,980	3,096,740
TOTAL REVENUES	3,002,979	3,482,480	3,033,980	3,096,740
TOTAL REVENUES & BALANCE	7,246,820	3,482,480	9,862,674	9,444,366
EXPENSES				
Capital Projects - Current Year	418,126	3,165,891	3,033,980	3,096,740
Capital Projects - Carry-Over	-	-	161,518	431,341
Contingency	-	316,589	319,550	352,808
TOTAL EXPENSES	418,126	3,482,480	3,515,048	3,880,889
BALANCE, JUNE 30				
Construction Reserve	6,478,694	-	5,997,626	5,213,477
Reserve ¹	350,000	-	350,000	350,000
TOTAL BALANCE	\$6,828,694	-	\$6,347,626	\$5,563,477

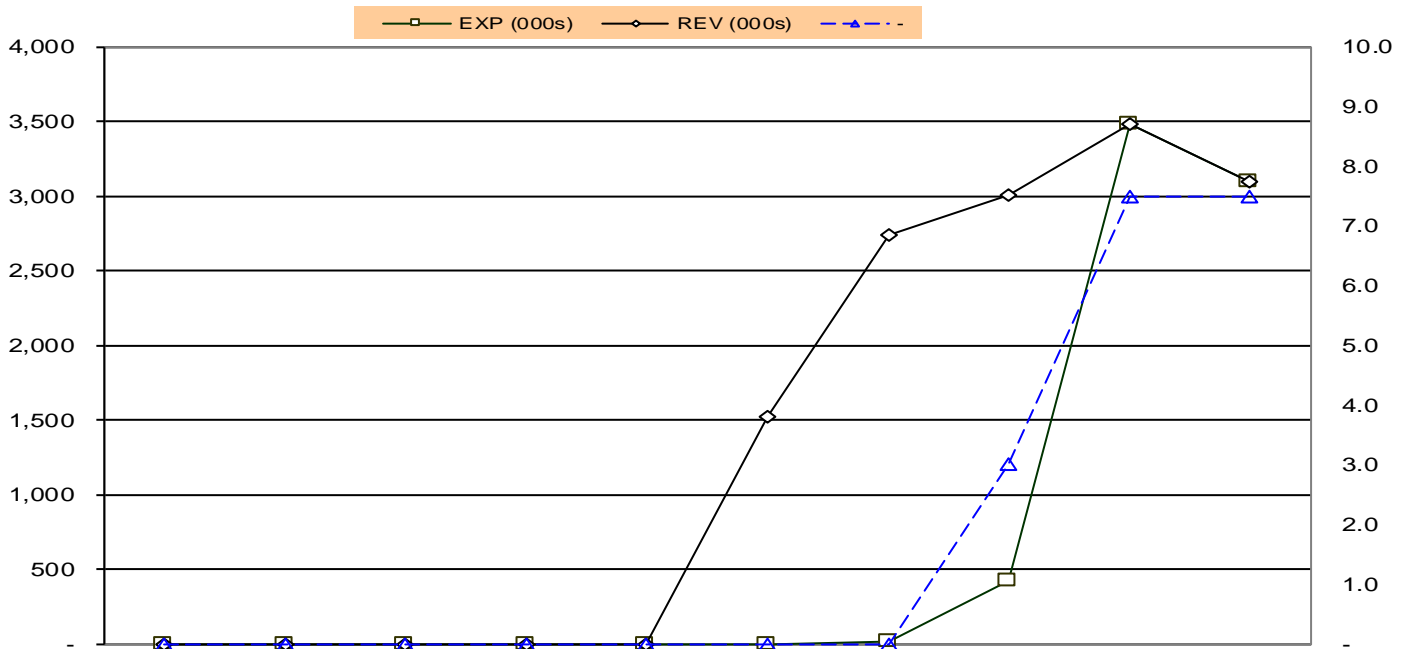
Most capital projects span multiple years, from design to construction completion. The FY 2014 Actual and FY 2015 Re-Estimate columns reflect that funding for capital projects are carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds. The FY 2016 adopted budget column is presented in a similar fashion to show planned execution of projects in the fiscal year. These are staffs' best estimates based on preliminary plans and design and construction schedules.

Notes:

1. Balances equivalent to a minimum of ten percent of annual budgeted revenues are held in a reserve in accordance with the County Board's financial and debt policies.

**CRYSTAL CITY, POTOMAC YARD & PENTAGON CITY TAX INCREMENT FINANCING AREA
TEN-YEAR HISTORY**

EXPENDITURE, REVENUE AND FULL-TIME EQUIVALENT TRENDS



	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Adopted Budget	FY 2016 Adopted Budget
EXP (000s)	-	-	-	-	-	-	\$12	\$418	\$3,482	\$3,097
REV (000s)	-	-	-	-	-	\$1,520	\$2,735	\$3,003	\$3,482	\$3,097
FTEs	-	-	-	-	-	-	-	3.0	7.5	7.5

There are a total of 22.5 FTEs to support major street and transit program elements. 15 FTEs are funded by Transportation Capital Fund, and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTEs, 3.0 FTEs were approved at FY 2014 adoption and 4.5 FTEs were approved at FY 2013 closeout.

CRYSTAL CITY, POTOMAC YARD & PENTAGON CITY TAX INCREMENT FINANCING AREA
TEN-YEAR HISTORY

Fiscal Year	Description	FTEs
FY 2012	<ul style="list-style-type: none"> ▪ The Tax Increment Financing Area (TIF) was established by the County Board in October 2010, with an initial allocation of 33 percent of the incremental real estate tax revenue over the base of \$9.8 billion going to the TIF. The adopted General Fund CY 2011 real estate tax rate is \$0.945 (excluding the stormwater tax) for each \$100 of assessed value, and 33 percent of the estimated tax base of the FY 2012 increment of \$292 million, or \$455,449 will initiate this fund. The revenue includes only a partial year (the June 2012 tax payment). The adopted budget assumes a three percent growth in the real estate tax base. Subsequent to adoption of the FY 2012 budget, real estate values increased 9.8 percent between CY 2011 and CY 2012, yielding a revised revenue estimate of \$1,520,200. 	
FY 2013	<ul style="list-style-type: none"> ▪ The budget increases due to: a full year of revenue collection compared to a partial year's revenues in FY 2012; an increase in the real property tax rate from \$0.945 to \$0.958 per \$100 of assessed value (excluding the stormwater tax); and, an assumed increase of three percent over the CY 2012 assessed value of property in the area. ▪ The portion of real estate revenue dedicated to the TIF in the area remains at 33 percent in FY 2013. 	
FY 2014	<ul style="list-style-type: none"> ▪ Revenue projections in the tax district decreased due to a decline in real estate assessments in CY 2013 compared to CY 2012. The program is able to accommodate decreased funding due to recent adjustments to project timelines. As a result, the impact on project development in the short-term is negligible. ▪ There are a total of 8.0 authorized FTEs, of which 3.0 FTEs are funded by the Crystal City Tax Increment Fund and 5.0 FTEs are funded by the Transportation Capital Fund. ▪ <i>There are a total of 23.0 FTEs to support major street and transit program elements of which 15.5 FTEs are funded by Transportation Capital Fund and 7.5 FTEs are funded by Crystal City Tax Increment Fund. Of the total Crystal City TIF FTE's, 3.0 FTEs were funded at FY 2014 adoption and 4.5 FTEs were funded at FY 2013 closeout.</i> 	<p>3.0</p> <p>4.5</p>
FY 2015	<ul style="list-style-type: none"> ▪ Revenue projections in the tax district increased due to increases in real estate tax assessments in CY 2014 compared to CY 2013, as well as some adjustments to the CY 2013 assessments that increased revenue estimates for FY 2014. 	
FY 2016	<ul style="list-style-type: none"> ▪ Revenue projections in the tax district decreased due to decreases in real estate tax assessments in CY 2015 compared to CY 2014. 	